

## **1997 SMALL BUSINESS PROFILE**

### **SMALL BUSINESS: BACKBONE OF THE WEST VIRGINIA ECONOMY**

The importance of small business to the state of West Virginia is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, West Virginia had 38,253 businesses with employees; 97.0 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 50,000 self-employed persons in 1996, for an estimated total of 88,253 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 4.6 percent to \$2.2 billion in 1996, while wage-and-salary income rose 3.6 percent. Total personal income rose 3.7 percent to \$19.1 billion. The state also exported \$1.2 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 40,400 women-owned businesses in West Virginia, including part-time firms, employing 62,800 people and generating \$7.0 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 64.6 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 50.3 percent from 1987 to 1992, totaling 1,093 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 76.8 percent during the same time period with 313 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 551 in 1987, to 712 in 1992, representing a 29.2 percent increase.

**Business Turnover** - The number of new firms decreased 4.9 percent, while new business incorporations decreased 6.1 percent in 1996. Financial difficulties leading to business bankruptcies increased by 3.5 percent and business failures increased by 2.4 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in West Virginia decreased from 140 in 1994 to 114 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
TRADERS BK BKG CORP	Spencer
BANK OF GASSAWAY	Gassaway
CALHOUN CTY BK	Grantsville
F&M BK-BLAKELEY	Ranson
FIRST NB IN MARLINTON	Marlinton
FIRST ST B&TC	Rainelle
MATEWAN NB	Matewan
CITIZENS NB OF ELKINS	Elkins
GREENBRIER VALLEY NB	Lewisburg
BANK OF RALEIGH	Beckley
WESBANCO BK WHEELING	Wheeling
ONE VALLEY BK	Morgantown
BANK ONE WV NA	Huntington

**Job Growth** - Small businesses created jobs while large businesses lost jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 76.1 percent of the small business growth with 18,571 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	13,685	4,886	5,777	68	(32,280)	(7,864)
Manufacturing	70	369	2,107	1,073	(10,202)	(6,585)
Retail Trade	2,298	(19)	816	480	(3,046)	529
Services	9,698	4,098	2,959	(245)	(11,291)	5,220
Other	1,620	438	(104)	(1,238)	(7,740)	(7,027)

**Industries** - The composition of small business in West Virginia is very diverse. The Health Services industry is the largest small business employer in West Virginia, followed by Eating & Drinking Places. The fastest growing industry for small business is Educational Services (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in West Virginia by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	510,890	100.0	55.8
Health Services	8000	75,192	14.7	42.5
Eating & Drinking Places	5800	37,506	7.3	68.5
Coal Mining	1200	23,396	4.6	31.3
Food Stores	5400	21,233	4.2	66.2
Wholesale Trade - Durable Goods	5000	17,641	3.5	73.3

Table 2, Top Five Small Business Industries in West Virginia by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	284,903	100.0	55.8
Health Services	8000	31,990	14.7	42.5
Eating & Drinking Places	5800	25,703	7.3	68.5
Social Services	8300	15,504	3.3	93.3
Food Stores	5400	14,049	4.2	66.2
Wholesale Trade - Durable Goods	5000	12,932	3.5	73.3

Table 3, Fastest Growing Industries for Small Business in West Virginia, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	282,258	284,903	2,645	0.9
Educational Services	3,236	3,979	743	23.0
Stone, Clay, Glass, & Concrete Products	2,774	3,045	271	9.8
Motor Freight Transportation & Warehousing	7,805	8,562	757	9.7
Real Estate	3,683	3,985	302	8.2
Lumber & Wood Products, Except Furniture	5,437	5,875	438	8.1

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.